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ABSTRACT

The family contribution schedule proposed by the Office of Education for use in computing the Basic Educational Opportunity Grant program in the school year 1976-77 was examined by the Senate committee and its witnesses. The liberalization of asset treatment for all individuals, especially those with small farms, is noted. The new schedule should bring the program more into line with the aims which Congress had when it enacted the Basic Educational Opportunity Grant Program to provide basic grants up into the middle-income level. Topics covered by hearing witnesses include: treatment of the assets reserves; treatment of farm and business assets; treatment of family size offsets. The Financial Aid Form currently being used by applicants is included in the transcript. (LBH)

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FAMILY CONTRIBUTION SCHEDULE FOR THE BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM, 1975

ED124051

HEARING

BEFORE THE

SUBCOMMITTEE ON EDUCATION

OF THE

COMMITTEE ON LABOR AND PUBLIC WELFARE UNITED STATES SENATE

NINETY-FOURTH CONGRESS

FIRST SESSION

ON

EXAMINATION OF THE FAMILY CONTRIBUTION SCHEDULE FOR THE BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM FOR USE IN ACADEMIC YEAR 1976-77

SEPTEMBER 11, 1975

HE 007 899

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION

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FAMILY CONTRIBUTION SCHEDULE FOR THE BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM, 1975

THURSDAY, SEPTEMBER 11, 1975

U.S. SENATE,
SUBCOMMITTEE ON EDUCATION,
COMMITTEE ON LABOR AND PUBLIC WELFARE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 155, Russell Office Building, Hon. Claiborne Pell, subcommittee chairman, presiding.

Present: Senators Pell and Stafford.

Committee staff present: Stephen J. Wexler, counsel, and Gregory Fusco, minority professional staff member.

Senator PELL. The hearing of the Subcommittee on Education will come to order.

We are not meeting in our usual place because so many hearings are going on. That is the reason for the informal atmosphere here.

Today we meet to discuss the family contribution schedule which has been proposed by the Office of Education for use in computing the basic educational opportunity grant program in the school year 1976–77.

The 1972 legislation set a February 1 timetable for submission of the family contribution schedule to the Congress for our disapproval, if such is required. I congratulate the department on sending the schedule up in August, a full 5 months before the deadline.

This is really good news.

Swift action on the part of the Congress will allow the department to implement the family contribution schedule and will ultimately make the money available to the students in a more timely and expeditious manner.

I also congratulate the department on the family contribution schedule which has been sent up. The liberalization of asset treatment for all individuals, and especially those with small farms and businesses is most laudable.

The new schedule will, I believe, bring the program more into line with the aims which the Congress had when it enacted the Basic Educational Opportunity Grant program to provide basic grants up into the middle-income level.

I hope that the administration will succinctly set forth this new schedule and show us how it differs from previous years' schedules. Our first witness will be John D. Phillips, Jr., Acting Deputy Commissioner for Postsecondary Education, accompanied by Richard Hastings, Acting Deputy Assistant Secretary for Legislation (Educa-

tion), and Peter K. U. Voigt, Director of the Division of Basic Grants, who has done such a masterful job in implementing the basic grant program.

STATEMENT OF JOHN D. PHILLIPS, JR., ACTING DEPUTY COMMISSIONER FOR POSTSECONDARY EDUCATION; ACCOMPANIED BY RICHARD HASTINGS, ACTING DEPUTY ASSISTANT SECRETARY FOR LEGISLATION (EDUCATION), PETER K. U. VOIGT, DIRECTOR OF THE DIVISION OF BASIC GRANTS, AND DR. LEONARD H. O. SPEARMAN, ACTING ASSOCIATE COMMISSIONER FOR STUDENT ASSISTANCE

Mr. PHILLIPS. Mr. Chairman, I would also like to introduce, if I might, the Acting Associate Commissioner for Student Assistance, Dr. Leonard H. O. Spearman, on my right.

He has responsibility for all of the student aid programs, including the basic grant programs.

Mr. Chairman and members of the subcommittee, I am pleased to be with you today to discuss the basic educational opportunity grant program and to share with you our proposals for changing the family contribution schedules for the 1976–77 academic year.

Before discussing the family contribution schedules, I would like to take this opportunity to give you a brief overview of the operation of the program during the current academic year.

We would like to report that as of September 5 the program has received over 1.8 million application forms. Further, applications are being received by the program at a rate of 35,000 to 40,000 per week and we are projecting that 2.3 million applications will be received by the March 15 deadline date.

Since approximately 60 percent of these applicants are eligible and approximately 80 percent of the eligible applicants are expected to make use of the program, we are estimating that 1.1 million students will receive basic grant awards during the current year.

It should be noted that it is difficult to accurately predict the total level of expenditures for the program at this moment, particularly in light of participation of part-time students who are eligible for the first time during the current year. However, given the information we have to date, we are confident that we will be quite close to expending all of the approximately $800 million available for academic year 1975–76.

In addition to the ongoing program activities for the current year, we are well underway in our efforts to make the program operational for the 1976–77 academic year.

As you may recall from our testimony last year, we are making every effort to improve the timing of the basic grant program for the next academic year. Our goal is to again have next year's application forms printed and distributed to all high schools and eligible institutions of postsecondary education by the end of January 1976. In order to meet this schedule, we will need to have a resolution on the family contribution schedules by November 1, 1975. If we are not able to reach resolution by that date, our printing schedule will need to be

revised substantially and we will not be able to distribute the application materials until significantly later than January. We are hopeful, therefore, that we will be able to work with you in achieving early agreement on the modifications to be made in the schedules.

Before we discuss the proposed changes that we are recommending, I would like to make some general comments on the family contribution schedules.

I am aware that the basic grant formula has received criticism regarding the strictness and that the family contribution schedules are a rationing system rather than one which accurately measures a family's ability to finance postsecondary education. It should be pointed out that a family's ability to pay for postsecondary education is extremely difficult to measure on a systematic basis because it is closely related to a family's perception of its ability to pay.

In other words, providing for the education of children is often a question of willingness to pay and the question is often decided in the light of other consumer choices related to the family's preferences.

It might also be noted that all "need based" student financial aid programs are based on the assumption that parents are primarily responsible for paying for the education of their children and that other agencies should only assist when the family cannot meet these expenses. Therefore, the development or revision of any need analysis system is really based on a series of value judgments on how much families and individuals should contribute to education after the basic living allowances have been deducted from the available resources.

We would, at this time, like to share with you the changes we are proposing in the family contribution schedules. These changes, we believe, reflect the major concerns which have been raised during the past year.

The concerns have been with the level of the asset reserve, the family size offsets and the treatment of farm and business assets. We have already outlined these changes for you in our letter of transmittal. However, we would like to review these proposals for the record.

TREATMENT OF THE ASSETS RESERVES

As I am sure you know, the treatment of assets in the basic grant family contribution schedules has been a subject of considerable debate since the inception of the program.

Recently there has even been some discussion regarding the possibility of elimination of assets from the schedules altogether or exempting certain kinds of assets from consideration.

However, we believe that assets must be considered in the basic grant schedules because assets do contribute to a family's financial strength and different asset positions on the part of families would, of course, have a significant impact on the resources available for postsecondary education.

The treatment of assets as you know has been revised several times since the program was initiated and for the current year, 1975–76, the reserve against net assets is $10,000. We are, however, still concerned about those families who have the bulk of their assets in home equity. We agree that some of these families, especially those with

low and lower middle incomes, may be treated inequitably through the current system.

Therefore, we are proposing that the asset reserve of $10,000 be increased to $12,500 for 1976–77 academic year.

According to our latest statistics on the current year's basic grant applicants, the overall average home equity of those families with homes and who have incomes of below $13,500 per year is below the $12,500 offset we are proposing.

We believe that by increasing the asset reserve to this level we would significantly increase the equity of the formula and alleviate a major portion of the problems which we have recently experienced.

TREATMENT OF FARM AND BUSINESS ASSETS

The basic grant program has since its inception been subject to a considerable amount of criticism regarding the treatment of farm and business assets. This criticism is based on the idea that these professions frequently require a substantial asset position in order to achieve a relatively low level of income. Therefore, it appears to critics of the program that the treatment of these kinds of assets in the family contribution schedules appears inequitable since it eliminates many low-income students from participating.

Recent data on the basic grant applicants indicates that approximately 4.8 percent of all filers are from families having farm assets and approximately 5.4 percent having business assets. In addition, the average reported farm equity for all farm applicants is $30,500 and for business applicants is approximately $7,300. At the same time the eligibility rate of dependent students in the total population is approximately 62.6 percent while at the eligibility rate of students showing farm assets is 50.5 percent and students reporting business assets is 52.5 percent.

Therefore, we are proposing that the asset reserve for families having farm and business assets be increased from $10,000 to a total of $25,000. We believe that with this change low-income students coming from farm and business families will qualify at a rate which is comparable to the qualifying rate of low-income applicants from nonfarm and nonbusiness families.

TREATMENT OF FAMILY SIZE OFFSETS

The third modification we would propose is an adjustment to the family size offsets. We would maintain the base which has been used and make an adjustment for 1975 inflation as measured by the 1975 Consumer Price Index.

We estimate at this time that the inflation factor will range between 8 and 9 percent.

In summary, we believe that these changes will significantly improve the equity of the basic grant family contribution schedules and result in a more effective basic grant program for the 1976–77 academic year. A point that should be kept in mind during the discussions on the schedules is the relationship between the family contribution schedules and program appropriations and how that relationship affects the level of student awards.

During the current academic year basic grants is at full funding for the first three classes of students with awards ranging from $200 to $1,400 and an average award of approximately $750. Given the relatively low level of funding we are likely to receive under the 1976 appropriations and the fact that a fourth class will be added to the program next year, awards will need to be reduced at levels substantially below the current year if we maintain the current family contribution schedules. Liberalizations of the family contribution schedules such as those proposed will result in greater reductions in student awards.

This is not to say that the changes we are proposing should not be made since they will make the system more equitable. Rather, we would simply like to point out that these changes will result in further reductions in the awards and that any additional revisions will increase this impact.

We have also provided you with some statistical tables on the impact of the current family contribution schedules on the 1974–75 applicants and the effect of the proposed changes. We would be pleased to review these statistical materials with you and answer any questions you may have about them.

However, before answering any questions you may have about the family contribution schedules in detail, I would now like to briefly turn to another matter which has concerned us for the past year and a half. As you know, the Keppel task force has proposed a student common data form which is designed to collect student information necessary to make awards for a variety of student aid programs at a number of postsecondary institutions. We have reviewed in detail the student common data form which was developed by the Keppel task force, and we would like to emphasize that we strongly endorse the concept of a student common data form.

We are, therefore, proposing to implement a system which uses the elements of this form during the coming academic year.

In brief, our primary problem with the proposed form is that it collects a significant amount of information which is presently not collected by the basic grant program and if this form were used, as presently proposed, it would complicate the basic grant application form in a major way. We know that you share our concern about simplifying the basic grant application form to the greatest extent possible, and given the items of information needed under the statute and regulations to determine a student's expected family contribution, we believe our form is presently as simple as possible.

Therefore, the adoption of the student common data form proposed by the Keppel task force in the basic grant program might actually complicate and make more difficult the completion of a student application for many persons instead of simplifying this process as we all would like to do.

The second problem with the student common data form is that we would of course be collecting a significant number of items of information from students which are not absolutely required to determine the eligibility of students for the basic grant program.

In light of that fact, we believe that we would have serious conflict with the provisions of the Privacy Act of 1974.

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Considering these two problems, balanced against our continuing commitment to eventually achieve the adoption of a student common data form, we are prepared to implement a new procedure for the coming year which would provide institutions with all of the information from the proposed student common data form without violating the Privacy Act or further complicating the basic grant application form.

What we are essentially suggesting is that we maintain the basic grant application form, with some minor modifications, as it is at the moment and provide a supplemental form to each applicant along with the notification of eligibility status for a basic grant.

This supplemental form would be completed by the applicant and provided directly to the institution of his choice. Under this procedure, the Office of Education would not be collecting any of this supplemental data which is not required for basic grants, and the student would be releasing the supplemental information on his own to those persons, agencies, and institutions needing the data for other purposes. This would maintain the simplicity of the basic grant application process and assure that it meets the requirements of the Privacy Act.

In addition, we are also proposing to implement a system which would share information collected by the basic grant program with those State agencies wishing to receive that information, provided that these State agencies use this data only to calculate a student's eligibility awards under State student assistance programs.

We believe that as a result of these two actions, we will be furthering the adoption of a student common data form. Providing the separate supplemental form to students for submission with their basic grant eligibility reports could give institutions all of the information necessary to use individual discretion in making student awards for other than the basic grant program and could achieve the same results as a student common data form. In the meantime, these steps would not seem to disrupt the already functioning systems for calculating student eligibility and would permit all concerned parties a period of time to work out further steps that might be taken.

We are, of course, planning to review this approach in detail with institutions of postsecondary education, State scholarship agencies, and other concerned organizations in the near future. Our objective in these discussions will be to reach a conclusion by the end of October so that any changes in the basic grant system can be implemented in accordance with our schedule of operation for the coming academic year.

I would be pleased to respond to any questions you may have on either the proposed family contribution schedules or the steps we are proposing for implementing a student common data form.

Senator PELL. Thank you very much indeed.

I have a few questions.

In what languages are you proposing to produce the forms?

Mr. PHILLIPS. In English and Spanish.

Senator PELL. English and Spanish, period?

There have been no thoughts of doing other languages, such as French or Portuguese?

Mr. PHILLIPS. There has not been as of this date.

Mr. VOIGT. Actually, Senator, the necessity for printing them in those two languages has not been brought to our attention.

Senator PELL. You say, on page 4, that you are proposing that the assets reserve of $20,000 be increased to $12,500.

Does that not arithmatically work out to what the inflation rate has been for the last 5 years since we started?

The bill passed in 1972. If you crank into the computations an 8–9 percent rate of inflation, that would be about $12,500.

Mr. VOIGT. It would be about that, Senator.

I have to doublecheck this, but the increase in recorded assets has not been at the level of inflation, so there would be a direct benefit.

Mr. PHILLIPS. If I may supplement the response, Mr. Chairman, table 4A in your statistical materials, I think, provides a basis for responding to your question that may be more precise.

What we have done here is to take a look at all the applicants for this year—we are not talking about last year's asset levels, but rather those from the current year—and what you will see in the third column, the equity for homeowners is that with the increase in the assets reserves, we would be picking up about $306,000.

In other words, they are now $193,487. That is, $306,000, or 56 percent of all the applicants for basic grants who show any equity assets would have those assets completely excluded from any tax under the program, under this proposal.

So you are not only protecting the home assets at the median level, but actually going back in a significant majority of cases where there would be no taxation whatever.

Furthermore, you will notice that in the next box, 33 percent that show home equity, that next category will only begin to be taxed, you see, at anything above $12,500, and the taxation rate is only 5 percent.

So it is a very liberal kind of system in terms of home equity position among our eligible population.

Senator PELL. My point is, that the same percentage would probably have been covered by the $10,000 range when the bill was passed, so by increasing the figure we have kept up with increasing costs.

Mr. VOIGT. It should also be remembered, Senator, that for the first 2 years the asset reserve was $7,500, and we increased that, so it is considerably above the inflation rate.

Senator PELL. Right.

You refreshed my memory on that. Thank you.

You also talk about the adjustment to the family size offset. I wonder if you can explain that to me a little bit more.

Mr. VOIGT. I would be happy to.

The family offset is the amount that is subtracted from the income of the family for basic living expenses.

That amount is based on social security low-income threshold, and we have increased that amount by the amount of the Consumer Price Index each year.

The way that works in the formula is that you add all the income that a family has and then on a table which varies by family size, look up the appropriate family size offset to be deducted before any contribution can be expected on postsecondary education is taken. I think this year for a family of four the offset is $5,200.

Senator PELL. Would you give me an example of those items included in the offset?

Mr. VOIGT. I think it is the figure that is developed by the Social Security Administration, which includes basic food costs, basic housing costs of a family, some amounts for State and local taxes. Essentially it is an attempt to develop a figure which covers the basic living expenses for a family.

As you know, we also subtract from that Federal income taxes paid and some other allowances for unusual expenses. Then the remainder of that amount is taxed on an expectation rate of 20 percent for educational purposes.

Senator PELL. With these changes that are being suggested, allowing so many new students into the program, and if the program is funded at the same level that it has been, would that mean a reduction in the amount each student would get?

Mr. VOIGT. It would mean that, yes.

Senator PELL. What will the administration be asking for in the way of appropriations?

Do you know that yet?

Mr. PHILLIPS. We were talking here about the 1976–77 academic year for which the appropriation has already been made.

In other words, it is $715 million as of yesterday. Our problem is that this year we had a $660 million appropriation, plus a carryover which we were able to get authorized, so we were able to go to a full funding payment schedule for three classes of students enrolled both full time and part time.

So if we were to stay on track, following the logic of the last 3 years, and extended eligibility to a fourth year, full time and part time, with $715 million available, versus about $800 million available this year, that is already going to mean a reduction from full funding.

Senator PELL. The expectation is for 4 years and not 3 years?

Mr. PHILLIPS. Is that in the new appropriation?

Mr. VOIGT. Yes.

Mr. PHILLIPS. In that case, it is certain we are going to have to reduce the payment schedule to reflect the lower appropriation relative to the number of students eligible for the program.

Senator PELL. How much money would be needed, in your view, to provide for full funding under this program in the revised formula?

Mr. PHILLIPS. Our presentation for the last, I believe, 2 years—we have suggested a full-funding figure of $1,050 million.

Senator PELL. One billion, fifteen?

Mr. PHILLIPS. One billion, five zero.

Senator PELL. Under the new formula, will that figure hold, or will it be raised?

Mr. PHILLIPS. I think we would probably stick with that figure.

There may be some adjustments that might be necessary, but I think that figure would be close for purposes of our analysis here.

Senator PELL. I do not understand how it could remain static when you have liberalized the figure, or were you always including funds for all the eligible students?

Mr. PHILLIPS. Yes, Senator.

Part of our problem is that we are not certain just what impact the part-time student is going to have.

In other words, it is uncertain as to whether most of them will come in at a half-grant or three-quarter-grant level, so it is hard to get all these variables figured up into a set figure.

So I think the working figure, subject to revision, as we move along, would be the $1,050 million.

Senator PELL. But the administration is not going to ask for that figure; is it?

Mr. PHILLIPS. Yes.

The President's budget asked for funding at that level, but we did not get it.

We only got $715 million.

Senator PELL. The problem comes, as you know, in asking for full funding while eliminating other programs.

I would like another copy of the student data form, the basic form you have now. You suggest this very ingenious plan to continue the basic form as it is, and then add on the other elements that the Keppel Commission recommended.

Have you reduced those other elements to a draft form?

Mr. VOIGT. We are working on them.

We have a draft of the items that would be included which we would be happy to furnish, but we are still planning to hold meetings with the concerned parties, but the essential items are there.

Senator PELL. Could you let us have a copy of that.

If we accepted your proposal would that then mean that we would find all the student financial aid administrative organizations in accepting this one form and dropping their own?

Otherwise, we would have an episode of just adding one more form to the boullabaisse of forms.

Mr. PHILLIPS. I think you mentioned several of the key entrants and concerned parties with whom we need to consult on that very point.

The idea here would be to furnish a form to supply the supplemental information right along with the student eligibility report.

That could also be submitted to another agency. It need not be submitted only to the institution. It might very well be that that supplemental information could be furnished to the college scholarship service or to the American College Testing programm, to conduct their activities under contract with institutions.

So, it is not an either/or proposition that we are making, and that is one of the items that we wanted to discuss in some detail with those representatives.

Senator PELL. I think that unless there is some sort of agreement by the various groups to agree upon one form, there will not be much point in adding an extra form.

Maybe an example could be set, so that even if the various groups did not participate at first they would see that the system worked, and they would then accept a standard form. But I think we ought to try to do all we can, as you are doing now, to work together with the American College Testing service and the Education Testing Service and the other groups to encourage this end.

In what specific way would the privacy amendments affect the new supplemental form?

Could a student refuse to fill it out on the basis that he is not required to do so?

Mr. PHILLIPS. I think, Mr. Chairman, our concern here is more with the Privacy Act than opposed to the Buckley amendment.

We are here talking about the Privacy Act of 1974.

One of the difficulties that we have is that if you incorporate all of the items that were recommended by the Keppel task force into a basic grant form, we are in effect, collecting information that is not required to make a basic grant award, and so there is an implication that we might be violating the provisions of the Privacy Act that requires us to account for every single item that is being collected and collect only those items absolutely required to carry out the statutory purposes of the agency.

If the student has the supplemental form as well as the student eligibility report, he or she can then decide whether he or she wants to apply for additional forms of aid beyond the basic grant.

It is a matter of obtaining a clear authorization by the applicant that they do want that information used for those purposes, and we are not taking any implied action on their behalf.

That is what we are concerned about.

But they could refuse to file it, and as a result probably present themselves with a problem, because they would lose the opportunity to receive other kinds of aid. But they would have that right, and we would not be infringing on that right by collecting and distributing information not required for the basic grant.

Senator PELL. Incidentally, if we may turn for a moment to a definition.

What do you mean by the term "home equity"?

Mr. VOIGT. Home equity is the amount that a family reports as the value of the home, minus the debts against the home.

Senator PELL. As an estimate on the value, do you use the tax base?

Mr. VOIGT. We ask the family to report the current market value of the home.

Senator PELL. What if a family reports a $50,000 house as $25,000, do you have a way of checking their report, or do you take it at face value?

Mr. VOIGT. We are quite concerned about the whole question of the validity of the information that is provided, and we have instituted a major effort to verify the information that is provided, income, asset, and other information, on the basic grant application form.

We have instituted procedures for the institutions so that if they find a case which may be suspect, they let the Office of Education know, and we will check up.

We have instituted procedures which involve doing a sample checking of student applications, and this is being conducted right at this time. We will be doing a thorough analysis of the kinds of data that we are getting and its validity.

Senator PELL. How large is your task force that is investigating this, and who heads it?

Mr. VOIGT. This is being done under a contract that we have let to do this study and to set out the procedures that we might use to do these kinds of investigations.

As you know, it may be a very touchy area when the Federal Government begins investigating these kinds of data, but it is a contract that has about 20 people on it.

Senator PELL. The thought is that you would have one division of your office that would examine, as a matter of routine, 1 out of 100 or 1 out of 1,000 applications. Then if you found fraudulent statements of assets you could resort to legal action.

Mr. VOIGT. That is exactly our thought.

We would be doing this on a continuing basis, and, depending on the results, we will be looking to possible changes in the program to control this kind of problem, and, of course, to either have students repay grants that were received erroneously and, in some cases, possibly even to prosecute.

Senator PELL. I do not recall the procedure, but when they fill these forms out, is it done under oath?

Are there criminal sanctions for misstatements?

Mr. VOIGT. Yes.

Senator PELL. If a person knowingly says a $50,000 house is worth $25,000, what is the fine to which he is liable?

Mr. VOIGT. There is a maximum fine of $10,000.

There is a statement on the application that the student signs, that if he does make a misstatement knowingly, he will be liable for prosecution and a fine.

Senator PELL. What is the maximum sentence that he can receive?

Mr. VOIGT. The maximum sentence is 5 years.

Mr. PHILLIPS. That could come under the fraud statute.

Senator PELL. Perhaps you can submit this for the record because I think in a question of this sort, it often has a salutory effect to prosecute violations vigorously. This is a necessary part of the efficient running of any program.

Mr. VOIGT. We are quite concerned about it.

Senator PELL. We would hope you go after these cases quite hard—in fact, very hard.

Mr. PHILLIPS. The exact statement on this form is as follows:

> Any person who knowingly makes a false statement or misrepresentation on this form shall be subject to a fine or to imprisonment or to both under the provisions of the United States Criminal Code.

So I think it is a reference to the fraud statute.

I think we ought to supplement this response just briefly to make you aware that here again we have a very sensitive and delicate balance that needs to be struck.

For example, how does one go about validating information, checking financial information, without at the same time violating an individual's privacy or rights to privacy?

We have to be extremely cautious about a relationship with the Internal Revenue Service or any of the easily thought of and logical procedures.

Senator PELL. The best example would be the one I gave you, concerning real estate, where you have an actual case of a house that is worth twice what the man has said it is worth.

How many cases have been prosecuted in the 3 years that the program has been operated?

Mr. VOIGT. We have not prosecuted any cases.

Where we have found instances that there is fraud, and we have some, or misrepresentation—we cannot really call it fraud—we have certainly made these corrections with the students and with the institutions involved.

Of course, this activity would increase substantially now that we have set up a procedure to deal with those cases and have asked institutions to supply information on students who supply faulty information.

Senator PELL. If you find a widespread pattern of these types of violations I would strongly urge you to engage in prosecution.

Would you do the prosecuting or would the Department of Justice take over?

Mr. VOIGT. Justice.

Senator PELL. On the other hand, if there are very few cases I don't think that such stern vigilance would be necessary.

But, as you know, we are very concerned about the rate of default of student loans which has reached an unconscionable level, and has not yet been straightened out. One of the ways of straightening these matters out is to have the Department exert its power to prosecute, which it has done at times, but which it is reluctant to invoke.

Have you opened an office, a Basic Grants Office, in Puerto Rico? This is a question raised in testimony given before this subcommittee earlier in the year.

Mr. VOIGT. No, we have not opened an office in Puerto Rico.

Senator PELL. Do you think you might?

Mr. VOIGT. It is sort of a difficult problem to deal with in terms of the sort of centralized processing system which has many benefits that we are operating.

We obviously are concerned about Puerto Rico and other areas of the country where students may be experiencing difficulty in completing the application form.

As a result, as you know, we have in the last 2 years held over 1,100 training sessions throughout the country in an attempt to get high school counselors and others able to help such students.

I think, given the size of Puerto Rico, and the real intent of an office in Puerto Rico, it would probably be better to continue the training efforts so you get a widespread distribution of trained individuals, rather than one office and one location in Puerto Rico.

We will, of course, continue to improve those training efforts.

Senator PELL. Do you make a special effort to train minorities like those from Puerto Rico and those of non-English-speaking backgrounds?

Mr. VOIGT. We have already done that.

But we can clearly improve.

Senator PELL. The question has come up about the desirability of a single needs analysis system. How close are you to achieving that?

Mr. PHILLIPS. Mr. Chairman, we have received some of those questions ourselves, and thought perhaps you might want to talk about that this morning.

The proposals that are contained here are an effort to provide, I think, significant liberalization and improvement of equity.

They also bring us to a point at which we are at least fairly close to the results of the so-called common needs analysis methodology.

We have prepared a couple of summary sheets that show the results of the application of the proposed family contribution schedule as compared with the results of the common needs analysis methodology under the new common needs analysis regulations, and I think if we sort of restrict our view of this matter to the categories of students that are most likely to be eligible for basic grants, if you take into account the fact that the basic grant family contribution schedule is a little different from the parental contribution schedule over here—pardon me.

I have given you two pieces of paper.

One is the 1976–77 basic grant family contribution schedule.

Senator PELL. Let us call that A.

Mr. PHILLIPS. That is A.

B would then be the common needs analysis methodology cases that have been cranked through under the new needs analysis regulation which we recently published.

If you look at these figures, particularly in the first columns, the $8,000, $12,000, $16,000 income line and the $20,000 asset line, what you will see at first blush, it looks like an alarming disparity.

But if you then take account of the fact that A is comprehensive family contribution schedule, whereas B is simply parental contribution schedule, and you crank back into B an expected student contribution—and the general average that is being used this year is around $600—then these figures begin to come out fairly close together.

If you take the first one, $10,000, as a family of three, $8,000 income, the basic grant family contribution schedule shows a contribution of $560.

The common needs analysis methodolgy would show a contribution of $120.

But if you add to that $120 the expected student contribution, then you are really at a figure of $720, which is actually greater than the expectation under this basic grant program.

What I am trying to suggest to you, sir, is we have made an effort here to come to a comparable point or a roughly comparable point, but we do, as you know, have some serious reservations about a lot of the complexities contained in the common needs analysis methodology.

I suppose you know that we would like to keep the relatively simple basic grant contribution schedule as specified in the statute, and not try to move forward the adoption of a common needs analysis system about which we have some very serious reservations.

Senator PELL. Let me just make sure I understand this.

Table A, family net assets of $30,000, and family income as a business executive of $24,000.

Then that family for the one child would be expected to give $4,932 toward that youngster's education. Is that correct?

Mr. PHILLIPS. Yes.

And under the common needs analysis methodology, he would be expected to contribute $4,840.

Of course those cases are quite far out of the range of interest to the basic grant program because of the $1,400 ceiling.

That is to say, anyone who has a contribution over $1,400 is pretty well out of luck in terms of getting the basic grant under the current provisions.

Oh, pardon me.

Really, in effect, the contribution over $1,201 because of the $200 minimum provision in the law.

So, you see those cases where there are some disparities at this higher income, higher asset positions that you mentioned, but they are kind of irrelevant to the consideration for the basic grant program, because in either case we have been talking about contributions that far exceed that which would be the required ones to be eligible for the basic grant.

Would you like to try some other cases?

Senator PELL. No. No, I see.

Then, basically, A and B are two different approaches to the same thing.

Mr. PHILLIPS. We end up with roughly comparable results, but we do not buy into all of the features of a common needs analysis methodology about which we have some severe reservations.

Senator PELL. So, what you use basically is A?

Mr. PHILLIPS. That is right, and that is what we are proposing to you here today, and we would argue it is at least, roughly, comparable to the common needs analysis methodology, but we get there by a more direct route without taking some of the things into account that we have reservations about in the common system.

Senator PELL. In other words, a family in my State that had a family income of $12,000 and had two children would be expected to contribute $1,024 to the education of both of those children? Or each of those children?

Mr. VOGT. Just one.

It would be reduced if both children were post-secondary.

Mr. PHILLIPS. You see, we have taken the simplest possible cases.

If they were both in college, that is another variation which would be taken in a different table.

We were trying to give you simple examples.

Senator PELL. That would be 10 percent of his net income before taxes that you would expect him to spend on his child's education?

Mr. PHILLIPS. That is right, but, similarly, if you look at that same figure up above, or in what we call B in table B, that figure of $450 which would be the comparable figure needs to be adjusted to reflect the inclusion of student earnings, so actually they come out within $10 of each other.

If you add in on top of the $450 student contribution, then you are looking at a figure of $1,050 versus $1,024 in the basic grant table.

Senator PELL. I see what you are driving at, and I will take a little time to study and digest this material.

You raised the family size offset by 10 percent in the light of the current economic conditions, then said the figures would be revised accordingly to actual rise in consumer prices.

When would these revisions come, each year, or on a one-shot basis?

Mr. VOIGT. This revision is just proposed for the next academic year, the 1976–77 cycle, and we will be making that adjustment when the final CPI figures come out before we begin processing the applications for next year.

Mr. PHILLIPS. We would make that adjustment as soon as we have the final CPI changes for 1975, and it would go into processors starting in January, so it would be built right into the final family contribution schedule printed at that time.

Senator PELL. Good.

I thank you very much, Mr. Phillips, Mr. Hastings, Mr. Voigt, and Mr. Spearman.

Our next witnesses represent the National Association of Student Financial Aid Officers.

We have Mr. Richard L. Tombaugh, executive secretary; and Neil Bolyard, director, NASFAA Commission on State and Federal Relations, and director of financial aid at West Virginia University.

Proceed as you will, gentlemen.

STATEMENTS OF RICHARD L. TOMBAUGH, EXECUTIVE SECRETARY, NASFAA, AND NEIL BOLYARD, DIRECTOR, STATE AND FEDERAL RELATIONS, WEST VIRGINIA UNIVERSITY

Mr. TOMBAUGH. NASFAA is pleased to have the opportunity to appear before the subcommittee this morning to present our views on the family contribution schedule adjustments being proposed by the U.S. Office of Education for the 1976–77 academic year.

For the record, I am Richard L. Tombaugh, executive secretary of the National Association of Student Financial Aid Administrators.

As you know, I have been a frequent visitor to the subcommittee over the past 3½ years that I have served in this capacity. Today's appearance represents my swan song, at least in my current role, as I have tendered my resignation to become president of a small consulting firm which will specialize in financial aid administration.

However, my new position will not lessen my interest and concern about the matters coming before this subcommittee, and I hope to have the opportunity to continue my input to your deliberations.

Senator PELL. I value the work we have done together and the consideration you have shown.

Mr. TOMBAUGH. Thank you, sir.

This appearance also represents the introduction to a new spokesman for NASFAA, Mr. Neil Bolyard, the director of financial aid at the West Virginia University in Morgantown. As you will recall, Mr. Sample advised you at your last hearing on student assistance that our longtime director of State and Federal relations, Mr. Allen Purdy, had asked to be relieved of his legislative responsibilities for NASFAA.

Mr. Bolyard is Mr. Purdy's successor in that role and will undoubtedly be making many appearances before this subcommittee in the future.

I am confident that he will continue to provide the same quality representation of the financial aid community which Mr. Purdy has given over the years, and I hope you will feel free to turn to him for the views of the practicing financial aid administrator.

I would ask that Mr. Bolyard provide the subcommittee the remainder of our prepared statement.

Senator PELL. I welcome you before us and look forward to your being with us many, many times in the future.

As you know, my attention span is limited, and I find that the shorter the oral presentation, the larger its impact on me.

Your written testimony may be as long as you wish and will always be printed in the record in full.

Mr. BOLYARD. I thank you for those comments, Mr. Chairman.

It is a pleasure for me to be here to represent the National Association, and I hope you will forgive me if I am a bit nervous in my first presentation of this type.

From our previous appearances before this subcommittee, it will come as no surprise to you that we have been concerned about the family contribution schedule since the beginning of the basic grant program. We have testified on several occasions that we felt the schedule was providing an inappropriate representation of the ability of families to contribute to postsecondary education, and that it was, rather, being used to ration funds which the administration was willing to make available for the program by restricting the number of eligible students.

Over the years, we have worked closely with the Office of Education, first, in an attempt to develop a family contribution schedule which was more representative of family ability to pay.

Later, we encouraged the use of different terminology in the presentation of the outcomes of the schedule to the family, in order that they not be unduly confused by the discrepancies between the expectations being made of their financial resources for basic grants and the less demanding expectations being made of them for institutionally administered funds.

We have long insisted that the family contribution schedule is not a need-analysis system in the traditional sense, but rather a mechanism for determining eligibility for a program which has been targeted to a specific segment of the population. We continue to be concerned about the impression that might be given that the basic grant approach to determining eligibility is a need-analysis system adequate for approximating a family's ability to pay. However, we do not question its ability to function as an eligibility determination.

Since we have maintained over the years that the family contribution schedule has been too restrictive in its determination of eligibility, it is obvious that we will be pleased, if not satisfied, with the adjustments which have been proposed by the Office of Education.

The USOE proposition to increase the family-size offsets used to determine the amount of discretionary income available to the family for educational purposes, and the adjustment in the asset reserve, are both badly needed.

However, in the matter of family-size offsets, we continue to be concerned about the proposed continued use of poverty level social security maintenance allowances for the basic grant program when BLS low-income standard maintenance allowances are used for determining need for other Federal student aid programs.

For example, a family of four applying for the campus-based student aid programs will be provided a family size offset of approximately $7,000 to maintain themselves prior to any expectation for college cost. In the proposed basic grant family size offsets, an allowance of only $5,700 would be provided.

How does one explain to a family that they can live on $1,300 less if they are applying for a basic grant than if they are applying for other forms of student assistance?

It seems to us that the family-size offsets being proposed are simply inadequate to reflect a reasonable cost of living today, and are consequently expecting undue sacrifice on the part of the family in order to provide the expectations being derived.

We would recommend that the basic grant program utilize the same BLS low-income standards to be employed by the need analysis system approved for SEOG, NDSL, and CWSP, rather than the social security poverty level figures being proposed.

We are not disagreeing with the percentage of adjustment USOE is proposing for cost-of-living inflation, but rather the base to which that adjustment is being applied. It was far too low in the past, and applying a reasonable adjustment percentage to an unreasonable base continues to yield an unreasonable family offset.

We applaud USOE's proposal to make adjustments in the asset reserves for families deriving their income from salaries and wages, and particularly for the recognition that the assets of a farm or business family are really different from those who do not depend upon their property for income generation.

Historically, the systems used for the determination of financial need have accorded special treatment to farm and business families in recognition of the necessity to protect a greater portion of those assets if their capacity to generate income is to be maintained.

While the old adage "a dollar of assets is a dollar of assets" may be appropriate at some future point in time when all assets might be theoretically liquidated, it does not hold during the period when income is being derived from the utilization of those assets in a farm or business. Consequently, to compare on an equal basis the asset holdings of a farmer or small businessman with those of a wage earner has been, and continues to be, inequitable.

For the basic grant program to recognize this difference in the family contribution schedule is a major step forward.

One might debate whether or not the asset reserves being proposed, that is, $12,500 and $25,000, are appropriate. Establishing what those protected levels should be is highly subjective and depends in large part upon the purposes for which one is willing to permit families to accumulate assets. NASFAA has in previous testimony suggested that the level for wage and salary families should be at least $15,000, but then that is only our estimate of reasonableness as opposed to USOE's estimate of reasonableness.

One factor that has historically been considered in evaluating the appopriate asset reserve in the need analysis process has been the age of the primary wage earner.

Economic theory would suggest that the older the primary wage earner, the more he or she should be allowed to reserve for retirement purposes because of the lesser time available to accumulate assets. The

basic grant approach, apparently for simplicity purposes, has utilized a constant asset reserve for the entire applicant population.

We feel that the variable approach is more responsive to the financial circumstances of the applicant, but understand USOE's desire to utilize a less complicated approach. We would continue to suggest that a $15,000 asset reserve for wage and salaried families is a reasonable figure for this program.

The adjustments to the family size offset for the independent student have many of the same problems expressed earlier. The allowances being provided simply do not seem adequate to reflect the expenses to be incurred in providing basic family maintenance. As a result, an undue expectation is made from the student and his or her family for educational purposes. Here, again, we would propose that the BLS low-income standard is a more appropriate family size offset.

In closing, we would like to take this opportunity to urge the Office of Education to give full consideration to the adoption of the "Consensus model" or the "Uniform methodology" developed by the Keppel task force for the purpose of estimating family ability to pay for postsecondary education.

We would suggest, as we have done so often in the past, that there are better ways to direct the basic grant program to the neediest students than to artificially control the eligibility for the program through an unreasonably demanding family contribution schedule.

This association has continually asserted that it is better to recognize a student's financial needs for what they are, and then provide what we can with the resources available, than it is to delude ourselves into thinking that the needs of students are being met when such is not the case.

The differences in expectations of families under the basic grant program and other programs of student assistance unnecessarily complicate the entire process of delivering assistance to needy students.

Additionally, to maintain two parallel procedures, one for determining eligibility for basic grants, and another for estimating need for other assistance programs, is unnecessary and inefficient, not to mention confusing to the student and his or her family.

We would urge the Office of Education, and the Congress if necessary, to take steps to implement the recommendations of the Keppel task force relative to the simplification of the process through the utilization of the consensus model for all calculations of family ability to pay for postsecondary education, and to devise other methods—if necessary—to target assistance to special categories of needy students.

We would be happy to respond to any questions that the chairman or members of the subcommittee might have of us.

Once again, thank you for the opportunity of appearing before you today.

Senator PELL. Thank you for your testimony.

I would like to ask, in connection with one point you made here, either Mr. Phillips or Mr. Voigt to reply.

How does one explain to a family that they can live on $1,300 less if they are applying for a basic grant, than if they are applying for other forms of student assistance?

I think that is a justifiable question, and I would be interested in the reply of the administration as well.

Mr. VOIGT. I think there are a couple of replies to that.

One is the basic grant is a targeted program designed to the lower income students.

Senator PELL. Low and lower-middle income.

Mr. VOIGT. Low and lower-middle income.

With the $1,400 ceiling, once you get above the $1,201 contribution level, you are really talking to an audience outside the program itself.

Second, the other programs are designed to have more flexibility, designed to in part reach a different audience, perhaps provide the aid officer with flexibility to make adjustments for a variety of reasons.

The basic-grant program is not; it is a formula program.

Finally, when you look at the family contribution levels, as the tables that we have showed you this morning illustrate, once you incurred the expected student's summer earnings, the difference between the family contribution, coming out then of the two different systems, is not that great.

Some instances, in specialized cases, but on the average they are not.

Senator PELL. You said the expected student income is $600.

Mr. PHILLIPS. I believe it is roughly in the neighborhood of $600.

Senator PELL. That is what he must save during the summer.

Mr. TOMBAUGH. I would just like to respond to a couple of points there.

One is that the rationale for deriving the contributions, both in the basic grant system and in the consensus model, are to set aside the amount of money that a family has to spend for other purposes, and see how much remains for educational purposes. To say that the basic grant program is restricted to a different population does not offset that discrepancy, and the rationale of how you got there.

The point we are trying to make is it should allow the same amount of maintenance in deriving its expectation in either case, and simply use other means of directing the money to the neediest of the needy students, if that is what the purpose of the program is, and we agree that is the case.

It is nice for the Office of Education to say it does not matter that there is a $1,300 difference, because the Office of Education infrequently sits across the table from students and their parents and explains to them why they are expected to come up with x number of dollars under a basic-grant formula, and x minus something in the other programs.

That is the situation our people are then put in to try and explain why there is $1,300 less allowance for basic grants than for the other programs.

I think this is an important consideration.

You can do what they want to do in terms of restricting the eligibility without fudging on how much the family needs to maintain themselves at home.

Mr. VOIGT. I would like to add to this.

I do not think there is clearly a professional disagreement about methodology internal to the system and I do not think the intent——

Senator PELL. You are saying, basically, that your program or our program is designed to hit the lower income and lower-middle income while the other program is designed to reach up into the higher-middle incomes?

Mr. TOMBAUGH. We are not disagreeing with that.

We are simply saying if it cost $7,000 to live at home for one set of programs, why does it cost less to live at home for basic grants?

Senator PELL. Because, as Mr. Voigt is suggesting, the program is designed for different groups.

Mr. TOMBAUGH. What I am saying is we can get at that in a different way without artificially saying it only costs you $5,700 to maintain yourself for basic-grant purposes and $7,000 for other programs.

I agree with Peter there is not that much discrepancy, and it can be resolved.

Senator PELL. Yes; except for this point—I think the Office of Education has done a pretty good job in bringing this program more along the lines that Senator Mondale and I and others want.

Obviously, we would like to go further. We would like to follow out the idea Mr. Tombaugh has there, but we also recognize the practical limitations, budgetary limitations, on the program. We hope to be able to move, just as you have this time, in future years.

As I understand your testimony, you certainly would not want to reverse this trend, and what you are saying really is that the changes presented by HEW do not go far enough along the lines you would or I would like.

Mr. TOMBAUGH. There is one other thing I would like to say relative to this $600 figure for a student summer savings expectation; $600 is a greater figure than normally used. It is much closer to $400.

Senator PELL. I did not know myself.

That is why I asked.

Mr. VOIGT. We can verify that, but I am under the impression it is around $600.

Mr. TOMBAUGH. The automatic addition in the services is $400 for similar earnings, not $600, but there is another important point that makes the results seem to be closer than they really are. All of the illustrations that have been used here are uncomplicated cases where there are not any unusual circumstances.

If you start comparing the results, the two systems, in the more complicated circumstances, like two in college, larger asset holdings, and social security, that sort of thing, the discrepancies are far greater than they would appear on the tables you have been provided.

The other factor is that if you use as the justification for the differences adding in $600 or $400, or whatever you might add in, you do so under the danger that you are assuming that is available in all cases, that every student who applies for a basic grant has summer savings equal to that amount.

What frequently happens in reality is that students, particularly of the type you want to serve with basic grants, do not have summer savings, so that when the institution applies the needs analysis and reflects that reality in their evaluation, the discrepancy between the two systems is far greater than those charts would suggest also, and there still is a severe gap that needs to be narrowed when you use the basic-grant formula on the one hand and the consensus-model evaluation on the other.

Senator PELL. I see your point. In the urban areas young black people have a very high unemployment rate and cannot get jobs in the summer, and hence have no earnings to report. These are the very youngsters we want to help.

Mr. PHILLIPS. Mr. Chairman, would we not, however, be subject to a good deal of criticism if we were to try to adjust a national entitlement program which tries to treat everybody on a uniform basis, to reflect all of these individual circumstances, and is that not exactly the purpose of other programs, to reflect those individual circumstances.

What we have tried to do is establish a kind of national norm, if you will, or a base from which additional funds can be made available at the discretion of the financial aid officer.

We have been very careful in our revisions of regulations in the other programs, to maintain the discretionary authority of a financial aid officer to set aside summer earnings in individual cases, but you cannot do that in a national entitlement program.

We are already running a very difficult kind of system here, and in order to maintain uniformity and equity in the distribution of these funds as a kind of foundation to build on, we have to be extremely careful about not trying to make so many individual adjustments, and mutations, if you will, that we lose the basic concept that is involved here, with which you have been so deeply involved.

Mr. TOMBAUGH. We do not disagree with that.

We concur wholeheartedly with that philosophy but when we are calling what they are doing "needs analysis" and saying that is what a family ought to be contributing, and we know better and they know better, but the kids and their parents do not know better, that is creating much of the confusion with which we are faced.

Senator PELL. For the record, maybe you could submit some figures on the average summer earnings of students, recognizing that this does not apply to all youngsters.

I think that specific figure should be in the record.

That must be available somewhere. If not, please give us an estimate as best as you can manage.

Mr. PHILLIPS. I think, Mr. Chairman, we would probably be dependent upon the National Association of Student Financial Aid Administration to provide that data since I do not believe we collect that in the basic-grant information system.

Senator PELL. Then let us get the data and see if it comes out to $400, or to the higher estimate used by the administration.

Perhaps we should change the figure in the next bill rather than continue to use the present number.

I agree with you. There has to be an average amount and this is what the people administering campus-based programs need to run the programs properly. We are talking here especially about lower-income students, such as the young black students from cities who do not have summer jobs and though they are searching for them they cannot find them.

So let us get that figure as a start.

The points you make are good ones, and ones of which we should be aware.

Thank you very much for your appearance.

We will hear next from the College Entrance Examination Board.

I will ask James Nelson, vice president for Student Assistance Services, to come forward.

We welcome you here, and we are delighted that Mr. Bowman is here with you.

STATEMENT OF JAMES NELSON, VICE PRESIDENT FOR STUDENT ASSISTANCE SERVICES; ACCOMPANIED BY JAMES L. BOWMAN, DIRECTOR, FINANCIAL AID STUDIES AND PROGRAMS, EDUCATIONAL TESTING SERVICE

Mr. NELSON. Mr. Chairman, I am Jim Nelson, vice president for student assistance services and the college scholarship service of the College Entrance Examination Board.

I am pleased to have this opportunity to speak on behalf of the CSS—a membership organization within the college board structure—and to provide your subcommittee with information that may be helpful to you in your deliberations.

I am glad you recognized Mr. Bowman, the director of our financial aid studies and programs; he will be glad to answer questions concerning this phase.

Representatives of the CSS membership and staff were active participants this past year in the national task force on student aid problems, known as the Keppel task force. This active partnership effort of Federal, State, institutional, and student representatives worked long and hard to develop major recommendations for improving the delivery of financial assistance to needy students. A major effort of the task force was directed toward the development of a single national standard for the determination of parental ability to pay for postsecondary education.

As a direct result of the Keppel task force's work, agreement was achieved between the two major private need analysis systems, CSS and ACT, on the use of a consensus model for determining a consistent and uniform measure of student financial need. The hope was expressed in the final task force report that the basic-grant program would also adopt the standard of the consensus model and thereby standardize all major need analysis methods.

After an extended series of regional membership forum sessions and a number of committee meetings on the subject, the CSS Council formally adopted the consensus model at its meeting of June 10, 1975, to be the CSS standard of need analysis for the 1975–76 processing year. In the same resolution, the Council recommended to the U.S. Commissioner of Education that the consensus model be adopted under his authority as the standard for evaluating all systems of need analysis. In my attached letter of August 20 addressed to the Office of Education regarding the proposed regulations of August 1 and 14, I expressed disappointment on behalf of the CSS Council that the U.S. Office of Education has failed to capitalize on the expert economic data and advice which went into the development of the consensus model. I further urged the Commissioner to reconsider the proposed regulations in order to join the financial aid and educational community in achieving the long-sought goal of a single standard of need analysis. If there was ever a time to make a major move to correct problems of inequity and confusion and to build upon widespread enthusiasm and support for a hard-won consensus, that time is now.

The consensus model, as adopted by CSS and ACT for use in evaluating the need of approximately 2 million students this coming year, takes into consideration a number of economic factors that are

not present in the proposed basic grant family contribution schedule for the 1976–77 academic year. For example, CSS and ACT will provide allowances against income for Federal income taxes, Social Security (FICA) taxes and other State and local taxes; in contrast, the basic grant program allows only for the Federal income tax paid. Further, the consensus model utilizes the Bureau of Labor Statistics low-budget standard in establishing minimum standard allowances which represent the cost of the basic necessities for all family members. The basic grant program uses the poverty level of family maintenance.

These and other important differences are explained in the attached letter from Mr. James L. Bowman to the Office of Education and in his paper prepared for the CSS, "A Uniform Methodology for Measuring Ability to Pay: The CSS National Standard."

With such dissimilar methods for calculating an expected family contribution, significant variations occur. We have illustrated these differences in the case studies and tables attached to my remarks. They may be similar to the Office of Education tables presented this morning, but I have not had an opportunity to review those.

For example, a two-parent, three-child family with $12,000 income, a modest home equity, and other assets of $20,000 would be expected to contribute $500 under the consensus model methodology and $1,250 under the basic grant method—a $750 variance. In other cases, the difference is as much as $1,200.

While I heartily encourage an early conclusion of the annual congressional review of the proposed basic grant family contribution schedule, and while I also applaud the proposed liberalization moves, it seems important to bring to your attention these significant differences in method and results and to express our regret that the Office of Education has chosen to perpetuate a separate family contribution standard for the basic grant program.

If limitations on appropriations are the central issue, the Keppel task force has urged that such limitations be expressed through the development of appropriate eligibility requirements and award tables—not through the expectation of large and unreasonable contributions from parents.

The CSS Council and other educational associations continue to look to this subcommittee for continuing support in improving the delivery of basic grants and other forms of financial aid to those students who are eligible and in need of assistance. We look forward to the time when the major recommendations of the Keppel task force will be adopted for use in all student aid programs, including use of a common data form and processing for the basic grant program by more than one agency to assure maximum student participation.

In one State all of the institutions and the State scholarship agencies have agreed to use this common form. Wisconsin and other States are giving it serious consideration for this coming year.

In closing, Mr. Chairman, let me assure you that the CSS will be pleased to furnish any additional information we can which will assist the subcommittee in this review process. Mr. James Bowman, my colleague from Educational Testing Service and one of the major economists/architects of the "consensus model," is with me this morning. Either of us will be pleased to respond to any questions you may have.

Senator PELL. Do you have a blank form of this with you?

Mr. NELSON. Not of our latest draft, sir. However, I have a copy of Keppel task force report which has one of the earlier versons in it.

Senator PELL. I found that form unbelieveably complicated, but then I found the basic educational opportunity grant form very complicated, too.

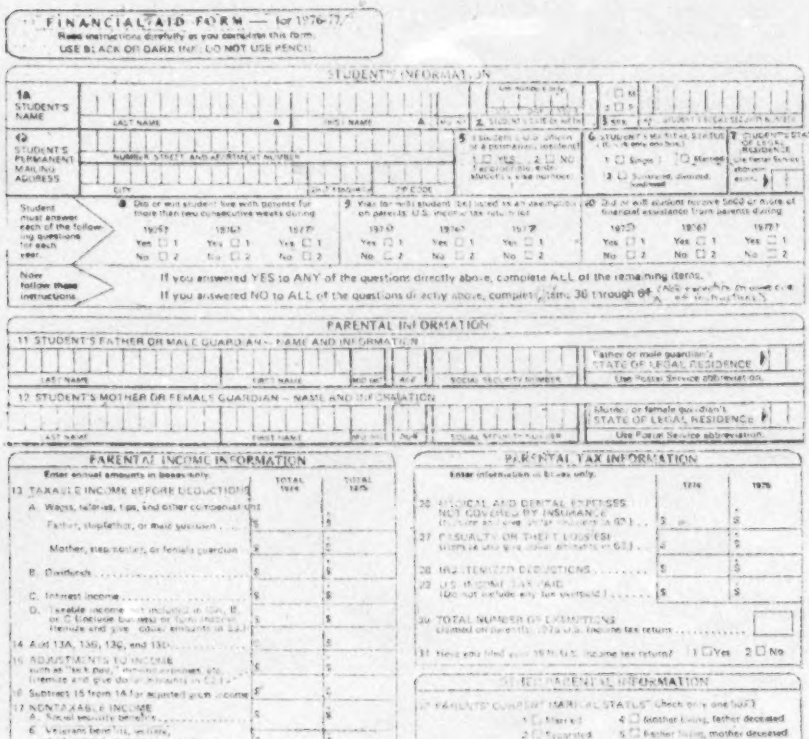
I tried to fill it out and I think I flunked the test.

They are very complicated.

Would you submit for the record a copy of your latest draft?

Mr. NELSON. Yes.

[The form referred to follows:]



FINANCIAL AID FORM — for 1976-77

Read instructions carefully as you complete this form.
USE BLACK OR DARK INK. DO NOT USE PENCIL.

STUDENT INFORMATION

1a STUDENT'S NAME — LAST NAME — FIRST NAME — M.I. — 2. STUDENT'S SOCIAL SECURITY NUMBER — 3. SEX — 4. STUDENT'S DATE OF BIRTH

4a STUDENT'S PERMANENT MAILING ADDRESS — NUMBER, STREET, AND APARTMENT NUMBER — CITY — STATE — ZIP CODE

5. Student is a U.S. citizen or a permanent resident? 1 ☐ YES 2 ☐ NO. If "NO," enter student's visa number.

6. STUDENT'S MARITAL STATUS (Check only one box.) 1 ☐ Single 2 ☐ Married 3 ☐ Separated, divorced, or widowed

7. STUDENT'S STATE OF LEGAL RESIDENCE. Use Postal Service abbreviations.

Student must answer each of the following questions for each year:

8. Did or will student live with parents for more than one consecutive weeks during

1975?	1976?	1977?
Yes ☐ 1	Yes ☐ 1	Yes ☐ 1
No ☐ 2	No ☐ 2	No ☐ 2

9. Was (or will student be) listed as an exemption on parents' U.S. income tax return for

1975?	1976?	1977?
Yes ☐ 1	Yes ☐ 1	Yes ☐ 1
No ☐ 2	No ☐ 2	No ☐ 2

10. Did or will student receive $600 or more of financial assistance from parents during

1975?	1976?	1977?
Yes ☐ 1	Yes ☐ 1	Yes ☐ 1
No ☐ 2	No ☐ 2	No ☐ 2

Now follow these instructions:

If you answered YES to ANY of the questions directly above, complete ALL of the remaining items.

If you answered NO to ALL of the questions directly above, complete Item 30 through 64. (Also complete the worksheet on page [illegible] if you are married.)

PARENTAL INFORMATION

11. STUDENT'S FATHER OR MALE GUARDIAN — NAME AND INFORMATION

LAST NAME — FIRST NAME — M.I. — AGE — SOCIAL SECURITY NUMBER — Father or male guardian's STATE OF LEGAL RESIDENCE. Use Postal Service abbreviation.

12. STUDENT'S MOTHER OR FEMALE GUARDIAN — NAME AND INFORMATION

LAST NAME — FIRST NAME — M.I. — AGE — SOCIAL SECURITY NUMBER — Mother or female guardian's STATE OF LEGAL RESIDENCE. Use Postal Service abbreviation.

PARENTAL INCOME INFORMATION

Enter annual amounts in boxes only.

	TOTAL 1976	TOTAL 1975
13. TAXABLE INCOME BEFORE DEDUCTIONS		
A. Wages, salaries, tips, and other compensation — Father, stepfather, or male guardian	$	$
Mother, stepmother, or female guardian	$	$
B. Dividends	$	$
C. Interest income	$	$
D. Taxable income not included in 13A, B, or C (Include business or farm income. Itemize and give dollar amounts in 63.)	$	$
14. Add 13A, 13B, 13C, and 13D		
15. ADJUSTMENTS TO INCOME (such as "sick pay," moving expenses, etc. Itemize and give dollar amounts in 63.)	$	$
16. Subtract 15 from 14 for adjusted gross income	$	$
17. NONTAXABLE INCOME A. Social security benefits	$	$
B. Veterans' benefits, welfare, child support, and other nontaxable income	$	$
18. TOTAL INCOME (Add 16, 17A, and 17B.)	$	$

Estimated total income for 1976 $

PARENTAL ASSETS INFORMATION

Enter information in boxes only.

	Estimate of Present Market Value	Debts or Mortgages or Liens on Items
19. HOME, if owned or being purchased	$	$
20. OTHER REAL ESTATE (Describe in 63.)	$	$
21. INVESTMENTS	$	$
22. BUSINESS, all capital if owned, other ownership	$	$
23. FARM, all capital if owned, other ownership	$	$
24. CASH, SAVINGS ACCOUNTS, CHECKING ACCOUNTS	$	$
25. OTHER ASSETS OUTSTANDING (Do not include stocks. Itemize and give dollar amounts in 63.)	$	

PARENTAL TAX INFORMATION

Enter information in boxes only.

	1976	1975
26. MEDICAL AND DENTAL EXPENSES NOT COVERED BY INSURANCE (Include only amounts in excess of 4% of line 18 in 63.)	$	$
27. CASUALTY OR THEFT LOSSES (Itemize and give dollar amounts in 63.)	$	$
28. ITEMIZED DEDUCTIONS	$	$
29. U.S. INCOME TAX PAID (Do not include any tax withheld.)	$	$
30. TOTAL NUMBER OF EXEMPTIONS claimed on parents' U.S. income tax return		
31. Have you filed your 1976 U.S. income tax return?	1 ☐ Yes	2 ☐ No

ADDITIONAL PARENTAL INFORMATION

32. PARENTS' CURRENT MARITAL STATUS (Check only one box.)
1 ☐ Married 4 ☐ Another living, father deceased
2 ☐ Separated 5 ☐ Father living, mother deceased
3 ☐ Divorced 6 ☐ Other (Explain in 63.)

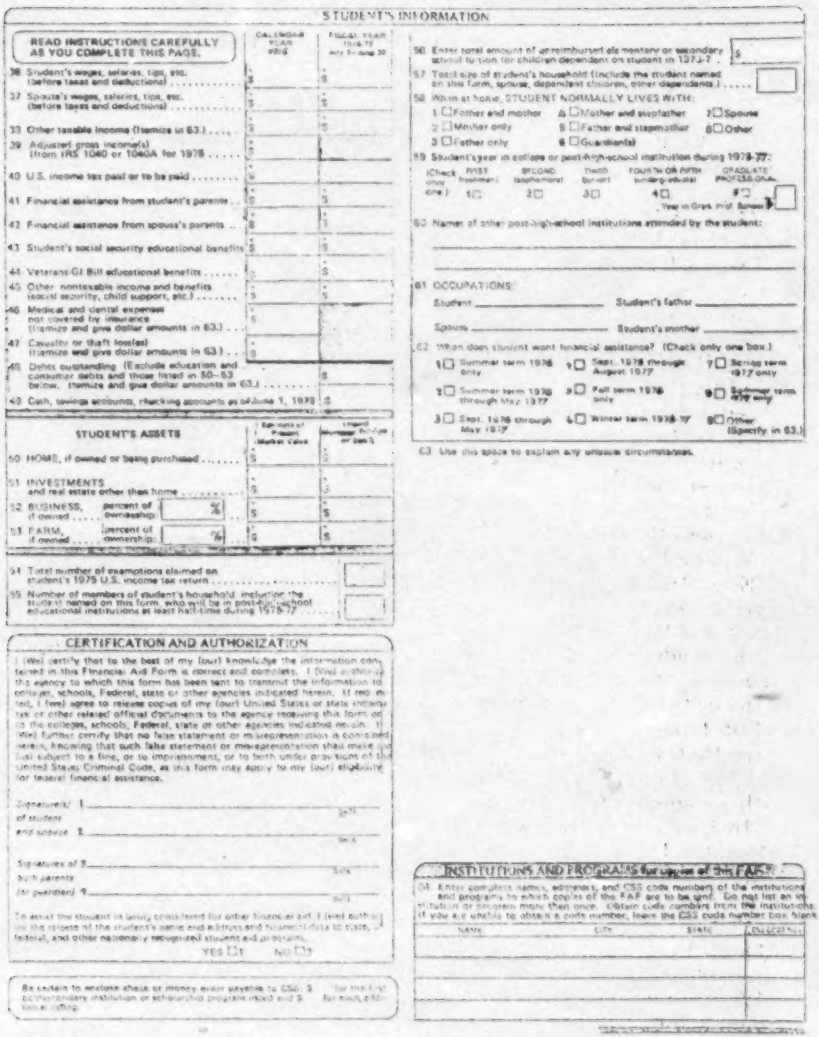
33. Number of parent(s) on whom I include the student named in this form, parents, dependent children, other dependents

34. Number of members of parent(s) household, including the student, who will attend post-secondary educational institutions at least half time during 1976-77

35. Enter total amount of all unreported element one of net money term for each child listed in 33 and 34 in 1976-77.

MAIL YOUR COMPLETED PAF TO:
College Scholarship Service, Box 9896, Princeton, NJ 08540

- In addition to analysis check or money order payable to CSS: $9.00 for the first questionnaire submitted on behalf of each student and $3.00 for each additional request.
- Low income: Check the box next to the number of institutions and programs indicated in item 64 on the reverse side and enclose the fee indicated.
1 ☐ None 2 ☐ One 3 ☐ Two 4 ☐ Three



STUDENT'S INFORMATION

READ INSTRUCTIONS CAREFULLY AS YOU COMPLETE THIS PAGE.

	CALENDAR YEAR 1976	FISCAL YEAR 1976-77 (July 1-June 30)
36 Student's wages, salaries, tips, etc. (before taxes and deductions)	$	$
37 Spouse's wages, salaries, tips, etc. (before taxes and deductions)	$	$
38 Other taxable income (Itemize in 63.)	$	$
39 Adjusted gross income(s) (from IRS 1040 or 1040A for 1976)	$	$
40 U.S. income tax paid or to be paid	$	$
41 Financial assistance from student's parents	$	$
42 Financial assistance from spouse's parents	$	$
43 Student's social security educational benefits	$	$
44 Veterans GI Bill educational benefits	$	$
45 Other nontaxable income and benefits (social security, child support, etc.)	$	$
46 Medical and dental expenses not covered by insurance (Itemize and give dollar amounts in 63.)	$	
47 Casualty or theft loss(es) (Itemize and give dollar amounts in 63.)	$	
48 Debts outstanding (Exclude education and consumer debts and those listed in 50–53 below. Itemize and give dollar amounts in 63.)		$
49 Cash, savings accounts, checking accounts as of June 1, 1977		$

STUDENT'S ASSETS	Balance of Present Market Value	Unpaid Mortgage Principle or Debt
50 HOME, if owned or being purchased	$	$
51 INVESTMENTS and real estate other than home	$	$
52 BUSINESS, if owned ... percent of ownership	% $	$
53 FARM, if owned ... percent of ownership	% $	$

54 Total number of exemptions claimed on student's 1976 U.S. income tax return

55 Number of members of student's household (including the student named on this form) who will be in post-high-school educational institutions at least half-time during 1976-77

56 Enter total amount of unreimbursed elementary or secondary school tuition for children dependent on student in 1976-77 $

57 Total size of student's household (include the student named on this form, spouse, dependent children, other dependents)

58 With whom STUDENT NORMALLY LIVES WITH:
1 ☐ Father and mother 4 ☐ Mother and stepfather 7 ☐ Spouse
2 ☐ Mother only 5 ☐ Father and stepmother 8 ☐ Other
3 ☐ Father only 6 ☐ Guardian(s)

59 Student's year in college or post-high-school institution during 1976-77:

(Check only one)	FIRST freshman	SECOND sophomore	THIRD (junior)	FOURTH OR FIFTH undergraduate	GRADUATE PROFESSIONAL
	1☐	2☐	3☐	4☐	5☐

Year in Grad. Prof. School ▶

60 Names of other post-high-school institutions attended by the student:

61 OCCUPATIONS:
Student _____ Student's father _____
Spouse _____ Student's mother _____

62 When does student want financial assistance? (Check only one box.)
1 ☐ Summer term 1976 only
2 ☐ Summer term 1976 through May 1977
3 ☐ Sept. 1976 through May 1977
4 ☐ Sept. 1976 through August 1977
5 ☐ Fall term 1976 only
6 ☐ Winter term 1976-77
7 ☐ Spring term 1977 only
8 ☐ Summer term 1977 only
9 ☐ Other (Specify in 63.)

63 Use this space to explain any unusual circumstances.

CERTIFICATION AND AUTHORIZATION

I (We) certify that to the best of my (our) knowledge the information contained in this Financial Aid Form is correct and complete. I (We) authorize the agency to which this form has been sent to transmit the information to colleges, schools, Federal, state or other agencies indicated herein. If requested, I (we) agree to release copies of my (our) United States or state income tax or other related official documents to the agency receiving this form or to the colleges, schools, Federal, state or other agencies indicated herein. I (We) further certify that no false statement or misrepresentation is contained herein, knowing that such false statement or misrepresentation shall make me (us) subject to a fine, or to imprisonment, or to both under provisions of the United States Criminal Code, as this form may apply to my (our) eligibility for federal financial assistance.

Signature(s) 1 _____ Date
of student
and spouse 2 _____ Date

Signature of 3 _____ Date
both parents
(or guardian) 4 _____ Date

To assist the student in total consideration for other financial aid, I (we) authorize the release of the student's name and address and household data to state, federal, and other nationally recognized student aid programs.

YES ☐1 NO ☐2

Be certain to enclose check or money order payable to CSS. See the list of the postsecondary institution or scholarship program listed and 5 financial aid.

INSTITUTIONS AND PROGRAMS for copies of this FAF:

64 Enter complete names, addresses, and CSS code numbers of the institutions and programs to which copies of the FAF are to be sent. Do not list an institution or program more than once. Obtain code numbers from the institutions. If you are unable to obtain a code number, leave the CSS code number box blank.

NAME	CITY	STATE	CSS CODE NO.

Senator PELL. My recollection is that your draft concerns this form which is even more complicated than the Basic Educational Opportunity Grant form.

Mr. NELSON. That is correct, sir.

It has 60 percent fewer items than some of the other forms, but it does have more than the current basic grant form.

This form also is used to administer the other campus based programs, State programs, and institutional aid as well as the basic grant and some other items required.

Senator PELL. Under the Privacy Act, as you know, your form collects more information than the Office of Basic Opportunity Grant needs, so you run into a legal problem, a constitutional problem. So, your form legally could not be used by them.

Mr. NELSON. That is one interpretation, Senator Pell.

Senator PELL. Having written the law, it is my interpretation, too.

Mr. NELSON. I cannot argue with that.

Senator PELL. Having worked out the compromise with Senator Buckley, I think that would be his interpretation, although I really cannot speak for him.

I will ask my counsel.

COUNSEL. It depends on what they have on their form and what kind of waiver you have.

Senator PELL. You might have to add a waiver on it.

Mr. NELSON. We believe there are ways of laying out the form to avoid that problem.

There are questions such as parental age, for example, which are not important to a calculation on the basic grant program, but which are important to a calculation used with the other programs for the consensus model.

So there are those kinds of items that are for Office of Education programs other than the basic grant program.

Senator PELL. Maybe what will eventually happen is that the Office of Education will move in this direction and print up a form that will have the information necessary to the Basic Education Opportunity Grant and then add the rest of the material suggested as a supplement. If the student wants he or she can send that information in to the Government; or, if the student does not want to send it on, it can go to the institution of his or her choice.

But I would like to ask Mr. Phillips and Mr. Voigt if they would agree that your objective is to move very much in the same direction that Mr. Nelson is suggesting, and that we will end up, in 2 or 3 years, with a common form.

Mr. PHILLIPS. That is correct.

Senator PELL. It may not be achieved, but it is the objective?

Mr. PHILLIPS. Oh, I think it has been a common objective of all of us working on this for the last year and a half, or more, but I hope we see this achieved in a shorter period.

Our problems, as you suggest, are essentially technical, administrative.

We have some way to go but we certainly hope we end up with a common form, and at least comparable methods of calculation if we cannot see our way clear to accept all the complexities.

Senator PELL. We could handle this, of course, by legislative fiat, but I do not think it is necessarily the way to go in this case.

Also, I do not think legislative fiat requiring dependence on a private organization's form is correct.

It should be accepted within a cooperative framework, private agencies and Government working together.

I would hope the next time you come here, which will be a year from now, that you will not put us in the position of legislating this needed reform; but would have more of a common form to show for your

efforts. That would be our hope, at least speaking for myself, and a hope, I think, that could be realized with just a little more work and a little more pulling together.

I recognize the points that were made by Mr. Tombaugh, but that can be handled in the further information in the form, if it is not necessary to the basic education opportunity grant.

I certainly do not think you would want to disagree that the administration has come up with a pretty good program here and is moving in the right direction.

Mr. NELSON. Not at all, sir.

Senator PELL. It is just a question that you and Mr. Tombaugh would like to move further and more quickly, as I would, but I recognize the problems the administration faces.

Mr. PHILLIPS. Actually, we are going to try to conduct some conversations with Mr. Nelson and Mr. Tombaugh and others during the next 4 or 5 weeks, in the hope that we can work out the details of the proposal that was laid before you today, which would make it possible to have in effect a common procedure for handling the problem of collecting too much data through a supplemental form which, if it were commonly accepted and used, could bring us to a common result, even sooner than a year from now.

Senator PELL. I think this will be excellent.

You are dealing with each other on a daily basis, and I hope you can come out with less complicated and less expensive formulas.

Mr. NELSON. Frank Keppel made a major contribution in bringing this together.

Senator PELL. Senator Stafford.

Senator STAFFORD. Mr. Chairman, having just come from another committee, on auto emissions, I am here very late, but I have deep sympathy for your plea that the forms be as uncomplicated as possible.

As encountered while back home in Vermont in August, the people seem to feel that there is too much intrusion of Federal bureaucracy in American life and far too much regulation, redtape, and long forms to be filled out. So I join in the chairman's plea that, whatever common form you agree on, it be as simple as possible so that even Senators can figure out how to complete it.

Senator PELL. If we were eligible.

Thank you, Senator Stafford.

One further question to Mr. Bowman: Is there any thought you would like to raise with regard to the underlying question here, which is not so much the question of form, but the question of what are the needs.

I know you were here for the earlier discussion.

Mr. BOWMAN. In terms of the need for additional resources?

Senator PELL. The needs analysis, yes.

Mr. BOWMAN. The aspect that we have considered over the last 15 months is a uniform method of evaluating parental ability to pay—what is the real, if you will, need of families at this time.

In listening to the testimony, I can sympathize with the administration's and the national association's point of view that simplicity is an ideal. But we feel it is unfortunate to use simplistic methods to measure the needs of millions of real live students who do not come

within this rigidly defined standard, especially when these standards are being applied across the board in all programs, that is why we have urged the administration and would urge Congress to move forward uniformly to minimize the complications of administering financial aid programs.

The consensus model of the Keppel task force was not created in a vacuum. We employed many talented financial aid practitioners, outside consultants, and economists. The Office of Education was also part of the working committee.

We thought we had a consensus. We urge that we move toward that end as a means of eliminating the problems of aid officers, and more importantly, the students and families with whom the aid officers must work.

I do not know whether that confuses the issue, Senator, or clarifies it.

Senator PELL. I thank you. This concludes this hearing of the subcommittee.

We are scheduled to meet again on the 16th of September.

[Whereupon, at 11:30 a.m., the subcommittee adjourned.]

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